

The Public-Private Infrastructure Advisory Facility

Issues and Options for USAID

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EXECUTIVE SUMMARY

Infrastructure plays a critical role in achieving economic growth and poverty alleviation. Over the last decade, the private sector has made an increasingly important contribution to the improvement of infrastructure services in developing countries. The potential benefits include access to capital, management expertise, improved financial performance and enhanced responsiveness to consumers. Still, outside a handful of countries in Latin America and the Caribbean, private management and ownership of infrastructure facilities remain the exception rather than the rule.

As experience has built up, it is becoming apparent that many policies and regulatory arrangements for private-public partnerships in infrastructure need to be revised and refined in order to ensure sustainability, transparency and greater poverty impact. Thus, the agenda for reform remains large while the capacity of most developing countries to design and implement programs for private participation in infrastructure remains weak.

The multilateral development institutions and many bilateral donors, such as USAID, have responded to this challenge through targeted technical assistance programs. Unfortunately, some of these efforts have neither been well coordinated nor represented global best practices.

The Public-Private Infrastructure Advisory Facility

The Public-Private Infrastructure Advisory Facility (PPIAF) was created in 1999 at the initiative of the governments of the United Kingdom and Japan and of the World Bank. Its mission is to help eliminate poverty and achieve sustainable development in developing countries by facilitating private sector involvement in infrastructure.

The PPIAF is a multi-donor technical assistance facility housed in the World Bank. Its objectives are to:

- Mobilize and leverage donor resources;
- Exploit the expertise and economies of scale and scope available from an integrated, multi-donor work program;
- Promote the exchange of lessons of experience between sectors, regions and donors; and
- Facilitate coordination between bilateral and multilateral programs addressing the same concerns.

PPIAF is presently supported by eight bilateral donors: Canada, France, Germany, Japan, Norway, Sweden, Switzerland and the United Kingdom, and three multilateral

agencies, ADB, UNDP and the World Bank. The United Kingdom is by far the largest contributor followed by Japan, the World Bank, and Switzerland.

Contributions to the PPIAF are provided either to the core fund or to donor-specific non-core funds. All participants have to make a minimum contribution of USD 250,000 to the core fund. The core fund is completely untied and can be used for financing of any PPIAF activity (including administrative costs). The donor who contributes non-core funds can set up special criteria for their use (for example, country and/or sector eligibility and, in principle, nationality of consultants carrying out the activity¹).

The participating donors are represented on the Program Council that meets once a year (typically in May). The Council is responsible for setting the PPIAF's operational policies, approving the annual work program, overseeing the Technical Advisory Panel and Program Management Unit. It is chaired by the World Bank's vice-president for Private Sector Development and Infrastructure. Decisions are made by consensus. Large grant proposals (for more than USD 250,000) are approved only after the council members have given their no objection.

To ensure the quality and relevance of PPIAF activities, a Technical Advisory Panel was appointed in the fall of 2000. The panel has six members with expertise in private involvement in infrastructure in developing countries. The members come from the private and public sectors, academia and NGOs. It is responsible for: providing advice on specific issues associated with private sector involvement in infrastructure in developing countries; reviewing and commenting on the PPIAF strategy as reflected in draft annual work programs prepared by the Program Management Unit; and evaluating the impact of the PPIAF annual work program through ex-post evaluation of selected activities. The panel will meet as required, at a minimum twice a year, and panel members will be available during the annual meeting of the Program Council.

The day-to-day operation of the PPIAF is the responsibility of the Program Management Unit (PMU) is housed in the World Bank. It is headed by a program manager and has a small staff consisting of a couple of program officers and a few support staff. The unit has been kept lean by the PPIAF's reliance on external consultants for undertaking the technical assistance activities and on World Bank staff for selection of consultants² and supervision of their work.³ The World Bank is paid for its supervision of PPIAF activities. The fee typically ranges between 10 percent and 15 percent of the cost of the activity.

The PMU approves activities costing less than USD 250,000 and manages the approval process for more costly activities. It acts as the secretariat to the Program

¹ However, so far no contributor of non-core funds has established any requirements on the nationality of the consultants.

² Hiring of consultants follows the World Bank's guidelines.

³ In this respect, it is different from some of the other multi-donor programs such as ESMAP and WSP that rely on their own staff for delivery of much of the work program.

Council and the Technical Advisory Panel. The PMU prepares the PPIAF's work plan and budget and manages the disbursement of funds. It is also responsible for maintaining contacts with contributors, recipient governments, the private sector, and other stakeholders. Finally, it oversees the operations of field-based regional coordination offices.

The administrative budget for the PMU and the field offices is USD 2.8 million for FY01 (excluding the fees paid to the World Bank for supervision of the individual technical assistance activities).

So far, the PPIAF has established two Regional Coordination Offices in Nairobi and Pretoria and a decision has been taken to create a third office in Singapore serving South and East Asia. The field offices help identify opportunities for PPIAF assistance, support local requests for PPIAF interventions, and tailor assistance strategies to local priorities and conditions. They work with recipient governments and representatives of contributors, international financial institutions and other official agencies to promote effective coordination of advisory activities. Finally, they assist in the supervision of PPIAF activities.

The PPIAF pursues its objectives through two main mechanisms:

- By channeling technical assistance to governments in developing countries on strategies and measures to tap the full potential of private sector involvement in infrastructure; and
- Identifying, disseminating and promoting best practices.

It provides a broad range of country-specific and multi-country activities in essentially all infrastructure sectors (except irrigation).

During its first 18 months of operation, (until 31 December 2000), the PPIAF approved 116 activities with a total budget of USD 24.8 million. Of these, 89 activities with a total grant amount of USD 17.5 million were financed from the core fund and the remaining 27 from non-core funds provided by the United Kingdom and Switzerland. Some products deserve special mention:

- Country Framework Reports that include a survey of the current situation and recommend actions to expand the role of the private sector. These reports not only benefit the recipient government but also provide valuable information for donors, consultants and potential investors and financiers;
- Tool Kits that provide detailed guidance on various aspects of private involvement in infrastructure, based on global best practices. These kits have broad audiences among developing country governments, donors and international consultants; and
- Regional Activities for Capacity and Consensus Building created for a South-South cooperation and experience sharing. A good example of this is the

PPIAF's support for the South Asia Forum for Infrastructure Regulation that, *inter alia*, conducts training courses and arranges seminars and conferences for its members.

Assessment of the PPIAF's Governance Structure and Activities

Although administratively linked with the World Bank, the PPIAF acts independently and pursues its own agenda as established by the Program Council and guided by the Technical Advisory Panel. The governance structure appears to be effective and allows the participating donors a direct say in both the budget and work program for the PMU as well as in the approval of large, more than USD 250,000 proposals that together account for two-thirds of the funds channeled through the PPIAF.

The PMU operates efficiently with a small staff. Its turn-around time for review and approval of activities is surprisingly short. The procedures for *ex ante* and *ex post* quality assessments are sound. Sufficient safeguards are built into the supervision procedures to minimize the potential misuse of donor funds.

As its field offices are being built up, the PPIAF is increasingly playing an important role in day-to-day donor coordination. Similarly, the PPIAF is effectively using its unique position to acquire lessons learned and disseminating best practices. Finally, the PPIAF is making clear strides in making poverty impact an essential element in programs and policies for private infrastructure services.

One concern, however, that has been expressed by some PPIAF stakeholders: The average budget for PPIAF funded activities is only about USD 200,000. Thus, there is a rather widespread feeling that the PPIAF might be spreading its budget too thinly over too many activities. It is too early to tell if this will result in products—especially the ones dealing with privatization frameworks and privatization policies—that are too superficial to be of operational value.

Potential Participation of USAID

USAID has long been a leader among bilateral donors in terms of promoting private-public partnerships in infrastructure development. Even as a non-participant in the PPIAF, USAID and its domestic stakeholders benefit from PPIAF's activities. These benefits include:

- A more transparent and less risky policy environment for US infrastructure investors (through Country Framework Reports and most activities resulting in improved regulation);
- Increased opportunities for US consulting firms;
- PPIAF activities that complement and enhance USAID's policy agenda in key recipient countries;

- Some informal consultations with PPIAF staff leading to somewhat better donor coordination and potentially better targeting of USAID's own assistance; and
- An improved knowledge base for USAID and US consultants through the PPIAF's dissemination of best practice (through such instruments as toolkits).

If, however, USAID remains outside PPIAF, there is a risk of it becoming marginalized and having a gradually reduced influence on the global privatization agenda. It would also fail to reap the full potential benefits of PPIAF. Thus, USAID should seriously consider becoming a participating donor through a contribution to the core fund. This would require a minimum annual contribution of USD 250,000. The benefits of this option include:

- Maintaining a leadership in the private infrastructure field;
- Increased effectiveness of USAID's own technical assistance activities by reduced duplications and potential conflicting approaches;
- Better access to studies and reports not available to the general public; and
- Greater ability to influence PPIAF's activities so that they support USAID's own programs and policy agendas.

While there appears to be a rather compelling case for USAID's participation in the PPIAF, the case for a large contribution to the core fund or the non-core funds is less clear. The two main considerations regarding non-core funds are:

- **Quality and Cost-Effectiveness:** While some bilateral agencies might provide non-core (and core) funds to the PPIAF because of their own limited capacity to manage technical assistance activities in the private infrastructure field, there is no reason to assume that PPIAF activities are better prepared, appraised or supervised than similar activities funded directly by USAID. However, there might be some modest benefits associated with better coordination, targeting and, especially, *ex post* evaluation (through the Technical Advisory Panel) of PPIAF's non-core activities.
- **Public Relations and Foreign Policy Objectives:** Although USAID could ensure that non-core funds provided by it would go to activities in priority countries or priority sectors, some foreign policy benefits would clearly be lost if funding for the PPIAF was diverted from regular agency operations. (In certain cases, however, it might be advantageous to carry out controversial activities through the PPIAF umbrella.)

Thus, the most prudent course of action might be to start with a modest contribution to the core fund and decide on an eventual funding increase (for either core or non-core funds) after a year or two when the value of US participation can be better assessed.

Getting the Most Out of Participation in the PPIAF

In order to take full advantage of the participation in the PPIAF and to maximize USAID's contribution to the PPIAF's program, it would be essential to establish internal procedures for information sharing and consultation. Various units within the Bureau for Global Programs as well as the four regional bureaus should be recipients of the various types of information provided to the participating donors by the PPIAF. It is especially important (from an aid coordination point of view) that the concerned country desk has an opportunity to comment on or provide an objection to any proposed PPIAF activity.

However, close to a hundred PPIAF grants will be processed each year and that the participating donors normally have only ten days to provide their eventual comments or objections. Thus, the emphasis should be on making sure that the right person receives the material in a speedy manner. Formal meetings should, at the most, be held once a year prior to the annual meeting of the Program Council.

Besides questions/issues related to PPIAFs country strategies and their relationship with USAID's programs, there are a couple of issues that the US representative at the Program Council might pursue the following:

- USAID should routinely receive copies of all reports produced with PPIAF financing.
- This could be taken a step further: USAID should encourage PPIAF to make all reports available to the general public through its website.
- PPIAF is in a unique position to evaluate specific country experiences (such as the BOT Center in the Philippines) and disseminate best practices. While these activities are part of PPIAF's work program, it would probably be worthwhile to do even more in this area.
- Bilateral donors are typically in a difficult position (potential conflict of interest) when it comes to providing support for specific transactions. Developing countries often are reluctant to provide the extensive budgetary support needed for privatization transactions. Thus, there is a clear role for an organization like the PPIAF in this area and such activities should be encouraged.

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CHAPTER 1 INTRODUCTION

Although developing countries annually invest USD 200-250 billion to expand infrastructure services, coverage and service levels remain poor. Low tariffs, inadequate bill collection, insufficient maintenance, misallocated investments, unresponsiveness to users and technical inefficiencies remain as major problems. The resulting poor performance of infrastructure enterprises, however, represents only the tip of the iceberg. The detrimental impact of infrastructure deficiencies on economic growth and poverty alleviation is gradually being documented.

Over the last decade, dramatic changes have occurred in the manner infrastructure facilities in the developing world are financed, built and operated. Strapped for financial resources and realizing that infrastructure bottlenecks hampered economic growth and hurt the poor, governments started to change their roles from service providers to regulators and facilitators of private investments. Thus, there is now a global trend towards liberalization and greater reliance on market forces and competition as a way of improving the quality of infrastructure services while lowering the cost to the consumers. New entrants are being allowed in areas previously reserved for the public sector. Monolithic state owned utilities are being unbundled and privatized.

However, progress has been uneven. For example, a recent World Bank study of in 115 developing countries demonstrated how Latin America was far ahead in terms of power sector reforms and Sub-Saharan Africa lagged behind. In Latin America and the Caribbean more than four-fifths of the countries had privately owned power generation plants, while barely one out of five Sub-Saharan countries had any private involvement in the sector. The same pattern prevails in all sectors and is reflected in the data on private investments in private infrastructure facilities (see Figure 1).

Concern has also emerged that the early privatizations in developing countries did not benefit the poor as much as they might have done. It appears that a major reason for this was the adoption of regulatory models prevalent in industrialized countries where the coverage of infrastructure services is virtually universal and, thus, regulation focused on tariffs and, to a lesser extent, service quality. In developing countries, however, large parts of the population--especially the poor--remain without access to safe drinking water and electricity. Thus, any privatization program needs to be designed to extend services to the poor.

Thus, much needs to be done in terms of increasing the political acceptance of private infrastructure investments, assisting developing countries in preparing appropriate policy and regulatory frameworks and fine-tuning existing policies and procedures. The establishment of the Public-Private Infrastructure Advisory Facility (PPIAF) in 1999 was a response to this need. PPIAF is a multi-donor technical assistance facility aimed at helping developing countries improve the quality of infrastructure services through private sector involvement.

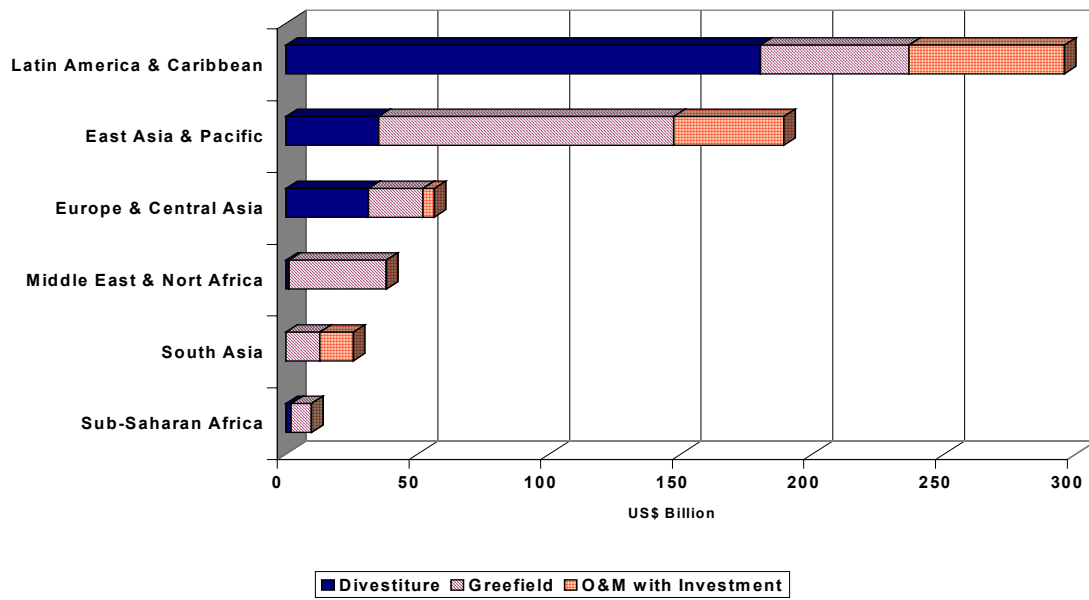
The High Cost of Non-performing Public Utilities

The poor performance of most state-owned infrastructure enterprises in developing countries has been amply documented. For example, the World Development Report 1994, which was titled "Infrastructure and Development," documented the problems of insufficient maintenance, misallocated investments, unresponsiveness to users, and technical inefficiencies. The report estimated that the direct cost of these inefficiencies was close to USD 55 billion a year. In addition, the report documented the fiscal burden of not recovering the full cost of the users: tariffs in the power sector covered only about 60% of the cost and in the water supply sector the revenues were less than one-third of the cost of supply. For power and water supply the total fiscal cost was estimated at around USD 110 billion. When the deficits of railways were added, the total amounted to USD 123 billion.

The cost, however, goes far beyond the direct budgetary impact. Fiscal constraints have meant that the amount of new investments has been limited and, with few exceptions, it is the poor who have to do without government services. People in low-income urban areas pay five to thirty times as much for water from vendors than the better-off pay for tap water. The poor, especially in rural areas, have to rely on alternative energy sources at a higher cost than electricity from the power grid. The justification for subsidies is usually that the service has to be "affordable to the poor." In virtually all cases, however, utility subsidies are poorly targeted and benefit the wealthier more than the poor (World Bank, 1994). Also the indirect cost of subsidies tends to fall disproportionately on the poor. In Bangladesh, for example, budget transfers to the two main power companies amount to about USD 100 million per year, more than the government's expenditures on health (Lovei and McKechnie, 2000). The beneficiaries of these subsidies are the relatively affluent 16 percent of the population that have electricity service.

The poor (and the population at large) also suffer from the macro-economic impact of poor electricity supply, which reduces growth and employment generation. Lovei and McKechnie also estimated that power outages in Bangladesh cost about USD 1 billion a year and reduce GDP growth by about half a percentage point. Similar results have been reported for Pakistan and India.

Figure 1.1
Private Infrastructure Investments (1990-1998)



CHAPTER 2

AN OVERVIEW OF THE PPIAF

2.1 Origin of the PPIAF

In recent years, bilateral donors and multilateral agencies have been providing increasing support to developing country governments in the area of private infrastructure. Many donors felt that their efforts could become more focused and effective through better coordination and a pooling of resources. While there are a number of for aid coordination (such as the country-specific aid group and OECD's Development Assistance Committee), they were generally seen as inappropriate for joint efforts at both a country and a regional or global level. Multi-donor facilities such as the Energy Sector Management Assistance Program (ESMAP) and the UNDP-World Bank Water and Sanitation Program (WSP) were seen as suitable models for the financing and implementation of targeted technical assistance activities in a specific sector. Thus, the governments of Japan and the United Kingdom, working closely with the World Bank Group, took the initiative to create the PPIAF as multi-donor facility housed in the World Bank, but operating under the guidance of all the contributing donors. After a period of consultation, an inaugural meeting of interested donors was held and a program charter was adopted in July 1999. PPIAF started operations shortly thereafter.

2.2 The PPIAF's Mission and Objectives

The PPIAF's mission is to help eliminate poverty and achieve sustainable development in developing countries by facilitating private sector involvement in infrastructure.

Thus, in order to achieve this mission, the PPIAF seeks to:

- Mobilize and leverage donor resources;
- Exploit the expertise and economies of scale and scope available from an integrated, multi-donor work program;
- Promote the exchange of lessons of experience between sectors, regions and donors; and
- Facilitate coordination between bilateral and multilateral programs addressing the same concerns.

Multi-Donor Facilities Managed by the World Bank Group

Over the years, a number of multi-donor facilities have been created to support collective technical assistance efforts. The oldest and, by far, most established one is the *Consultative Group on International Agricultural Research* (CGIAR), which since 1971 has been supporting a broad network of research institutions in the developing world. Its 54 contributing members (22 industrialized and 18 developing countries, 3 foundations and 11 international and regional organizations) are providing more than USD 250 million annually. It is widely hailed as having played an instrumental role in the “green revolution.”

The *UNDP-World Bank Water and Sanitation Program* (WSP) has a two decade long history of promoting innovative water and sanitation technologies and strategies, with emphasis on low-cost solutions to reach the rural and urban poor. With five regional offices and an annual budget of around USD 15 million, WSP is active in some thirty countries.

The *Energy Sector Management Assistance Program* (ESMAP) provides free policy advice and other technical assistance (traditionally produced primarily by its own staff and consultants). It focuses its activities on three priority areas: market-oriented sector reforms; access to efficient and affordable energy; and environmentally sustainable energy production and use. Like WSP it has a clear poverty orientation. Its annual budget is in the order of USD 5 million.

The *Consultative Group to Assist the Poorest* (CGAP) was founded in 1995 as a vehicle for structured learning and dissemination of best practices on how to deliver sustainable financial services to the poor to governments, donors and practitioners. It also provides a modest amount of funds for sound microfinance institutions, within its overall budget of about USD 12 million.

The *Information for Development Program* (infoDev) helps developing countries to fully benefit from modern information systems. It provides policy advice, conducts feasibility studies, prepares experimental applications in communications and information systems and disseminates best practices to governments and the private sector. Its annual budget is around USD 10 million.

Two other programs with multi-donor support (but more closely linked with the World Bank Group) provide assistance in areas related to PPIAF's activities: The *Investment Promotion Network* (IPAnet), which is managed by MIGA, is a clearinghouse for information on opportunities foreign direct investments in developing countries; The *Foreign Investment Advisory Service* (FIAS) - a joint venture between IFC and the World Bank) advises governments on policies, laws, regulations, and procedures needed to create an attractive investment climate and increase the inflow of foreign direct investments.

2.3 Operating Principles

The PPIAF pursues its mandate by providing technical assistance directly to developing country governments and by collecting and disseminating best practices on private infrastructure matters to a broader audience, such as developing country governments, donors and consultants.

Unlike some of the other multi-donor facilities managed by the World Bank Group, the PPIAF has only a small administrative staff that does not participate in the implementation of the individual technical assistance activities. Rather, it provides it support through grants for specific activities. In general, consultants who are hired after a competitive solicitation carry out the technical assistance activities. The requests for PPIAF support can come from any source. However, for country-specific activities, the concerned host government must approve the request for support.

Low and middle-income developing countries (and territories) and countries in transition from Central and Eastern Europe and new independent states of the former Soviet Union, as defined by OECD's Development Assistance Committee, are eligible for PPIAF support (See Appendix 1 for a complete listing). Thus, also countries and territories that are not members of the World Bank are eligible to participate in PPIAF activities.

2.4 Activities Supported

The PPIAF supports policies, programs and projects in “network” infrastructure services:

- Electricity generation, transmission and distribution
- Natural gas transmission and distribution
- Water and sewerage
- Solid waste
- Telecommunications
- Railways
- Ports
- Airports
- Roads

The activities supported by the PPIAF fall into six broad categories:

- Framing infrastructure development strategies to take full advantage of the potential for private sector involvement, including country framework reports that include a survey of the current situation and recommend actions to expand the role of the private sector;

- Designing and implementing specific policy, regulatory and institutional reforms, typically at the sector level, ranging from seminars to technical assistance;
- Building consensus for appropriate policy, regulatory and institutional reforms through outreach activities aimed at both local stakeholders and potential foreign investors;
- Building government capacity in the design and execution of private infrastructure arrangements and in the regulation of private service providers, ranging from ad hoc seminars to support for the creation of regional training centers;
- Supporting the design and implementation of pioneering projects and transactions; and
- Identifying, disseminating and promoting best practices, including “toolkits” that describe best practices and seminars and conferences on relevant topics.

CHAPTER 3

GOVERNANCE STRUCTURE AND FINANCES

The governance structure for the PPIAF is based on the experiences gained from other multi-donor facilities managed by the World Bank. It comprises a Program Council, a Technical Advisory Panel and a Program Management Unit supported by three regional coordination offices.

3.1 Program Council

All countries/organizations that contribute at least USD 50,000 annually to PPIAF's core fund (see Section 3.6 below) are represented on the Program Council. The council meets once a year, typically in the month of May, to review the strategic direction of the program, its achievements and financing requirements. According to the PPIAF's charter,¹ the Program Council is responsible for:

- Considering and defining PPIAF policies and strategies;
- Approving the annual work program and financial plan;
- Reviewing PPIAF performance, including selection of activities for ex-post evaluation by the Technical Advisory Panel; and
- Overseeing the Technical Advisory Panel and Program Management Unit.

The Program Council is chaired by the World Bank's vice-president for Private Sector Development and Infrastructure. Decisions are made by consensus. Procedures have also been established for obtaining the council's input into the process for approving financing for large proposals (over USD 250,000) and for informing it about the approval of smaller proposals.

3.2 Technical Advisory Panel

To ensure the quality and relevance of PPIAF activities, a Technical Advisory Panel was appointed in the fall of 2000 by the chair of the Program Council, after consultation with members. The panel has six members with expertise in private involvement in infrastructure in developing countries. The members come from the private and public sectors, academia and NGOs (see Box 3).

The Technical Advisory Panel is responsible for:

- Providing advice on specific issues associated with private sector involvement in infrastructure in developing countries;

- Reviewing and commenting on the PPIAF strategy as reflected in draft annual work programs prepared by the Program Management Unit; and
- Evaluating the impact of the PPIAF annual work program through ex-post evaluation of selected activities.

Members of the Technical Advisory Panel

The Technical Advisory Panel has seven prominent members drawn from the private and public sectors, academia, and the NGO community. The present members are:

- Mr. Jose Gomez-Ibanez, Professor of Public Policy and Urban Planning at Harvard University
- Mr. Kamal Hossein, Barrister-at-Law and senior advocate at the Supreme Court of Bangladesh
- Mr. Jannik Lindbaeck, Chairman of the Board of Den Norske Bank (and former Executive Vice President of IFC)
- Mr. Dominic Lorrain, senior fellow at Centre d'Etude des Mouvement Sociaux
- Mr. Sergio Mazzucchelli, senior advisor at the International Institute for Environment and Development for Latin America
- Ms. Margaret Osius, President of MEO Inc
- Mr. Kazuo Ueda, managing director of the Japan Private Finance Initiative (PFI) Association and President of PFI Japan, Inc.

The Technical Advisory Panel will meet as required, at a minimum twice a year, and Panel members will be available during the annual meeting of the Program Council. The panel's findings and recommendations will be forwarded to the Program Council Chair and disseminated to all members, at least four weeks prior to the Program Council's annual meeting.

3.3 Program Management Unit

The Program Management Unit (PMU) is housed in the World Bank. It is responsible for the day-to-day operation of the PPIAF. It is headed by a Program Manager and has a small staff consisting of a couple of program officers and a few support staff. The unit has been kept lean by the PPIAF's reliance on external consultants for undertaking the technical assistance activities and on World Bank staff for selection of consultants and supervision of their work. In this respect, it is different from some of the other multi-donor programs such as ESMAP and WSP that rely on their own staff for delivery of much of the work program. The World Bank is paid for its supervision of PPIAF activities. The fee typically ranges between 10 percent and 15 percent of the cost of the activity.

The Program Management Unit responsibilities include:

- Reviewing proposals for PPIAF assistance in accordance with the criteria and process approved by the Program Council;
- Approving activities costing less than USD 250,000 and managing the approval process for more costly activities;
- Arranging delivery of PPIAF programs and activities, largely by contracting the supervision of activities to World Bank staff;
- Providing secretariat services to the Program Council and Technical Advisory Panel;
- Maintaining effective relationships with contributors, recipient governments, the private sector, and other stakeholders;
- Proposing and administering the PPIAF workplan and budget, and managing the disbursement of funds; and
- Overseeing the operations of field-based regional coordination offices.

3.4 Regional Coordination Offices

So far, the PPIAF has established two regional coordination offices, located in Nairobi and Pretoria. Recently, the governments of Japan and the United Kingdom have agreed to finance an office in Singapore that will have two program officers serving South and East Asia. The field offices play essential roles in fulfilling the PPIAF's mandate:

- Identifying opportunities for PPIAF assistance, supporting local requests for PPIAF interventions, and tailoring assistance strategies to local priorities and conditions;
- Working with recipient governments and representatives of contributors, international financial institutions and other official agencies to promote effective coordination of advisory activities;
- Liaising with private sector representatives to ensure their perspectives are reflected in PPIAF advice and activities; and
- Assisting in the supervision of PPIAF activities.

3.5 Contributors

All participating donors have to make a minimum contribution of USD 250,000 to the core fund. The membership is gradually expanding. Until now, eight countries have joined the PPIAF as contributors: Canada, France, Germany, Japan, Norway, Sweden, Switzerland, and the United Kingdom. The United Nations Development Program is making its contribution in kind. The Asian Development Bank, as the first regional bank, decided recently to join.

3.6 Financial Resources

The PPIAF has a two-tiered financial structure:

- The core fund is completely untied and can be applied to administration costs, country-specific activities and multi-country activities. The allocation of the core fund is guided by the work program and policies approved by the Program Council. However, the core funds provided by the regional development banks can be tied to their operational area as defined in their statutes.
- Individual donor priorities relating to themes, activities and countries/regions can be reflected through contributions to non-core funds. These funds are established with the consent of the PMU. At present, the United Kingdom and Switzerland have established non-core funds with certain geographical targets.

Table 1
Pledges and Contributions to the PPIAF as of 30 June 2000 (USD '000)

Member	Contributions Received		Total Pledges Made	
	Core	Non-core	Core	Non-core
Canada	250		250	
France			250	
Japan	3,400		5,400	
Norway	250		750	
Switzerland	640	1,270	640	1,270
United Kingdom	7,390	1,721	13,765	21,596
UNDP			In-kind	
World Bank	2,625		9,000	
Total	14,555	2,991	30,055	22,866

As of 30 June 2000 members had pledged USD 52.9 million of which USD 17.5 million had been received. As can be seen from Table 1, the United Kingdom is the largest contributor, followed by the World Bank and Japan.

3.7 Work Program and Budget

The PPIAF's indicative work program for FY2000 included USD 18.0 million in funding for program activities to be disbursed during roughly two years and USD 2.0 million for program management through the PMU, and regional coordination offices. The actual work program comprised USD 15.6 million in commitments for program activities and USD 1.5 million in program management expenses. The indicative work program for FY01 comprises USD 20.0 million in new program activities and USD 2.8 million in expenditures for the PMU and the field offices.

Actual expenditures on program activities in FY2000 were USD 3.8 million of which the expenses for supervision of the activities by World Bank staff were USD 380,000 or 10 percent of the total (see Table 2).

Table 2
Expenditures on Program Activities in FY2000

Expense Category	Expenditures	Share of Total
Consultant fees and contractual services	3,133,000	81.4%
Travel	332,000	8.6%
Staff cost (World Bank task managers)	221,000	5.7%
Overhead	161,000	4.2%
Total	3,847,000	100.0%

CHAPTER 4 PROJECT CYCLE

The procedures for submitting, approving, implementing and disseminating PPIAF activities are designed to ensure both consistency with the priorities set by the Program Council and high quality of the output. Proposals for PPIAF support may be evaluated and approved through two different processes: either the activities are identified in the annual work program and approved by the Council at the annual meeting or proposals may be evaluated by the PMU in accordance with the agreed work program, criteria and processes. The first procedure is especially used for global “best practice” and outreach activities. The second is most common for country and/or region specific activities. The description below focuses on the latter, although many procedures and criteria are the same for the activities included in the annual work program.

4.1 Proposal Preparation and Submission

Proposals for PPIAF support may originate from any source. For country-specific activities, however, a written approval by the concerned government is required. The PPIAF issues quarterly calls for proposals, although it is prepared to receive them at any time. During the first year of its operation, the PPIAF relied quite heavily on World Bank and donor staff to “get the word out.” However, as it is building up its field presence and establishes closer contacts with developing country governments and other organizations, the reliance on World Bank and donor staff is likely to diminish significantly. Indeed, there are already clear indications that PPIAF’s field offices are taking a proactive approach to encouraging government and other organizations to submit proposals. The PPIAF’s field staff is also working with the concerned organizations in preparing proposals.

The PPIAF has standard application forms (see Appendix 3) that are available for downloading from its web site or can be obtained from any of PPIAF’s offices. The proposals must include a detailed budget and a proposed approach for quality assurance.

4.2 Proposal Reviews

Upon receipt of a proposal, the PMU undertakes an initial screening to determine if it meets certain threshold criteria regarding: country eligibility, type of infrastructure service, form of private participation, and type of activity. For proposals that meet these criteria, the review process follows three different tracks depending on the size of the requested funding:

- Small proposals with a request for USD 75,000 or less are reviewed primarily by the PMU although it might request an independent technical review from one or more specialists with relevant experience. The findings of the reviewers are not

binding on the PMU, but they are kept in the activity file and are available to the donors. The small proposals are reviewed on a rolling basis and are typically processed in less than 2 weeks.

- Medium-size proposals for an amount of more than USD 75,000 but less than USD 250,000 require an independent technical assessment. As in the case of small proposals, the findings of the reviewers are not binding. The medium-sized proposals are batched on a quarterly basis to allow for an assessment of the relative merits of the proposals and to better ensure a proper balance between countries/regions and types of activities.
- Large proposals with a request for more than USD 250,000 follow the same review procedures as the medium-sized proposals. They are batched in the same manner.

The PMU maintains a roster of technical experts, drawing on World Bank Group staff as well as other qualified professionals. The reviewers are guided by a detailed checklist.

One important element of the review process is to ensure that the proposed activities don't duplicate or conflict with programs or activities of multilateral agencies or bilateral donors. For small proposals, this is done by the PMU based on available information. In terms of medium-sized and large proposals, the PMU consults via e-mail with PPIAF's donors on a no objection basis. Any objection is expected to be raised within ten days.

4.3 Approval

In assessing the merits of the proposals, the PMU uses a number of criteria set out in its charter. It approves small proposals on a rolling basis as they are received. Medium-sized proposals are similarly approved by the PMU. However, they are normally processed in quarterly batches. The PMU informs the Council members of approved activities through quarterly reports that include a brief description of each activity as well as summary statistics. Large proposals over USD 250,000 are submitted each quarter to the program council for approval. The donors are expected to provide their no objection within ten days. Urgent requests for medium-sized and large activities can, at the discretion of the PMU, be processed without waiting for the quarterly batching.

The total elapse time between submission and approval ranges between two and four weeks for small proposals and six to eight weeks for medium-sized and large proposals. The sponsors of an activity are informed immediately upon approval.

Approval Criteria

- *Consistency with PPIAF's Mission:* Each activity must be consistent with the objective of helping eliminate poverty and achieve sustainable development.
- *Government Commitment:* For activities relating to one or a small number of countries, the approval by the concerned government(s) is required.
- *Donor Coordination:* The proposed activity should not duplicate or conflict with activities supported by the World Bank Group, other PPIAF contributors, or, to the extent it is easily verifiable, other donors.
- *Additionality:* Funding for the proposed activity should not be readily available from other sources.
- *Co-financing:* While the PPIAF can pay up to 100 percent of the cost of an activity, co-financing is strongly encouraged and seen as an indication of the commitment of the concerned government and/or the sponsoring organization.
- *Value for Money:* Activities should be carried out at the least cost consistent with the appropriate quality standards.
- *Quality Assurance:* All applications should include quality indicators against which the performance/output can be measured. Large proposals should include appropriate consultative and quality review mechanisms.
- *Regional and Sectoral Balance:* Within the framework of the approved work program, the PMU should assure a reasonable balance across regions and infrastructure sectors.
- *Environmental and Social Responsibility:* If an activity is expected to have adverse social or environmental impact, appropriate mitigating measures must be adopted.

4.4 Implementation

Once an activity has been approved, the PMU appoints a World Bank staff member as task manager for the activity. The task manager is responsible for ensuring that all procurement is carried out in accordance with World Bank guidelines and that the activity is carried out as agreed. The World Bank is paid a fee for the supervision of the activities, typically in the range of 10-15 percent of the base cost of the activity.

4.5 Dissemination

While the proponents of different activities are encouraged to undertake dissemination activities, this is not a requirement. The PPIAF publishes the country framework reviews and toolkits outlining best practices. The documentation for seminars and conferences sponsored by the PPIAF are available at the PPIAF's website, as are the country framework reviews and, when they are completed, the

toolkits. However, all other outputs are available only to the donors upon request. This is an area where more could be done. All reports should be available on the web to provide a low cost way of building global knowledge about private infrastructure policies and procedures. IPAnet/Privatization Link is already being revamped as a comprehensive source on different topics related also to private infrastructure investments. Thus, this MIGA-sponsored website could be a suitable place for publishing PPIAF studies.

Measures to Minimize the Fraudulent Use of PPIAF Funds

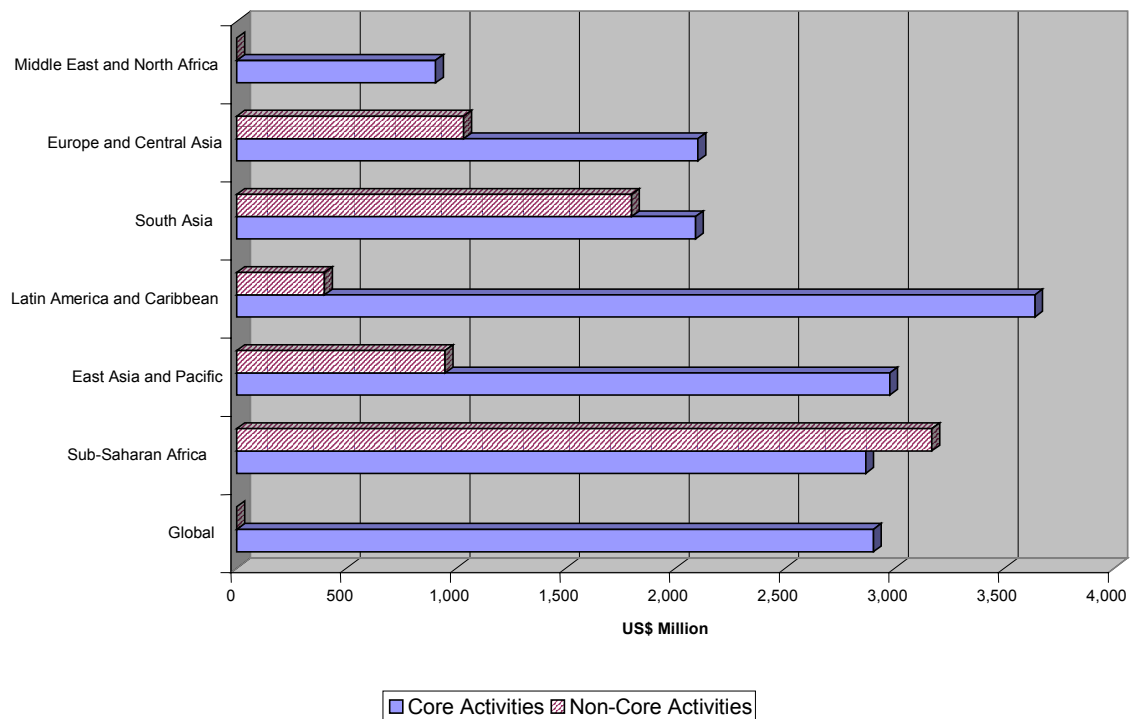
Over the last few years, the World Bank has experienced a number of cases where its staff has fraudulently used World Bank administered trust funds. To ensure that this doesn't occur in the case of PPIAF funds, a number of safeguards have been put into place:

- The World Bank guidelines for hiring of consultants apply. For studies requiring consulting firms, this involves a process starting with an announcement in Development Business, short listing of interested firms, and finally an evaluation of the proposals. The short listing and evaluation is done by a panel of staff members not associated with the activity and under the supervision of the Regional Procurement Advisor.
- The task manager is required to sign a representation letter confirming that he or she has complied with all the terms set forth in the PPIAF award letter and that all applicable procurement and administrative requirements have been fulfilled.
- PPIAF's Technical Advisory Panel conducts ex post evaluations of selected activities, which enhances the accountability of the task manager.
- The World Bank has put increased emphasis on the internal auditing of trust funds.
- The Bank has also established an anonymous hotline for reporting suspected fraud and created a separate anti-fraud unit.

CHAPTER 5 REVIEW OF SUPPORTED ACTIVITIES

The PPIAF was established in the summer of 1999. During its first 18 months of operations to 31 December 2000, it approved 116 activities with a total budget of USD 24.8 million. Of these, 89 activities with a total grant amount of USD 17.5 million were financed from the core fund and the remaining 27 from non-core funds provided by the United Kingdom and Switzerland. This chapter reviews the experience gained so far.

**Figure 2
Regional Distributions of PPIAF Activities**

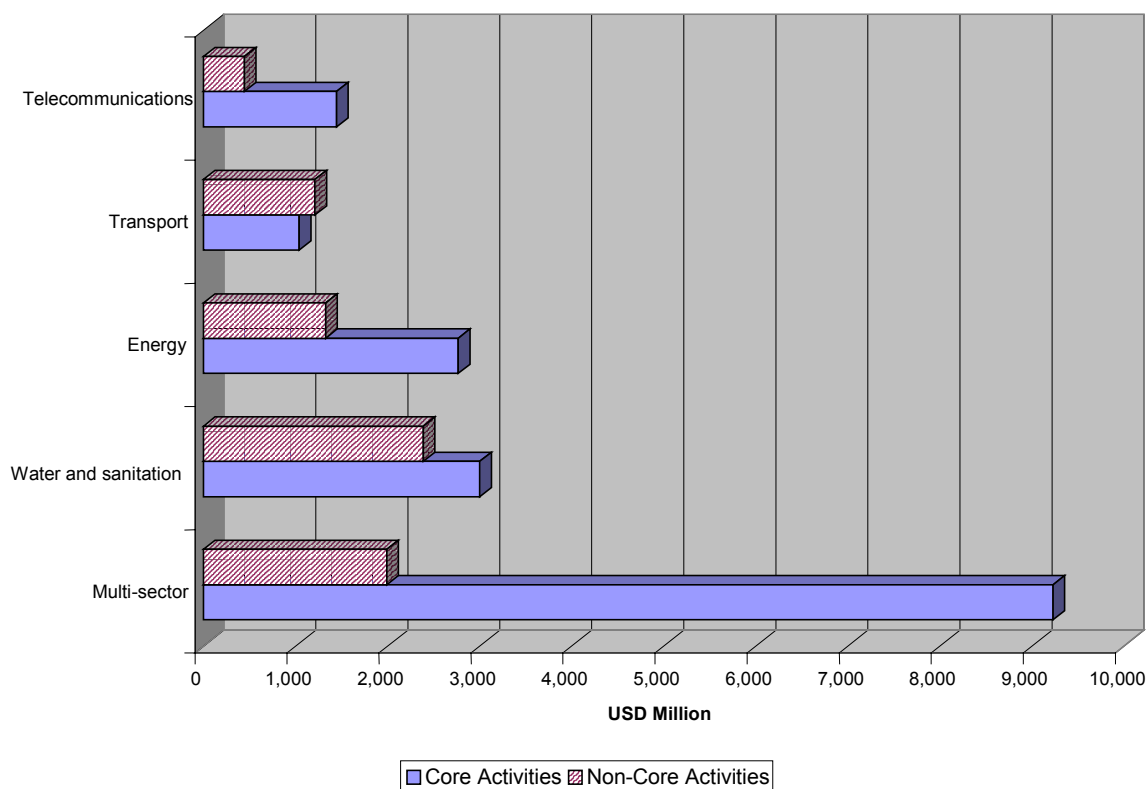


5.1 Broad Overview of PPIAF Activities

Sub-Saharan Africa has received the greatest amount of support from PPIAF (Figure 2). Given the fact that this region is lagging behind most other parts of the world in terms of private infrastructure investments, this allocation appears reasonable. However, more than half of the funding for activities in Sub-Saharan Africa has come from non-core funds provided by the United Kingdom. In this respect, it is noticeable that Latin America, the region that has come furthest in terms of privatization of infrastructure facilities, has received the greatest amount of core funds. One

possible explanation for this is that countries in this region were in a better position to take advantage of the opportunities offered by the PPIAF. Another possible explanation is that non-core funds have been substitutes for core funds rather than complements to core funds as assumed by their donors.

Figure 3
Sectoral Focus of PPIAF Activities

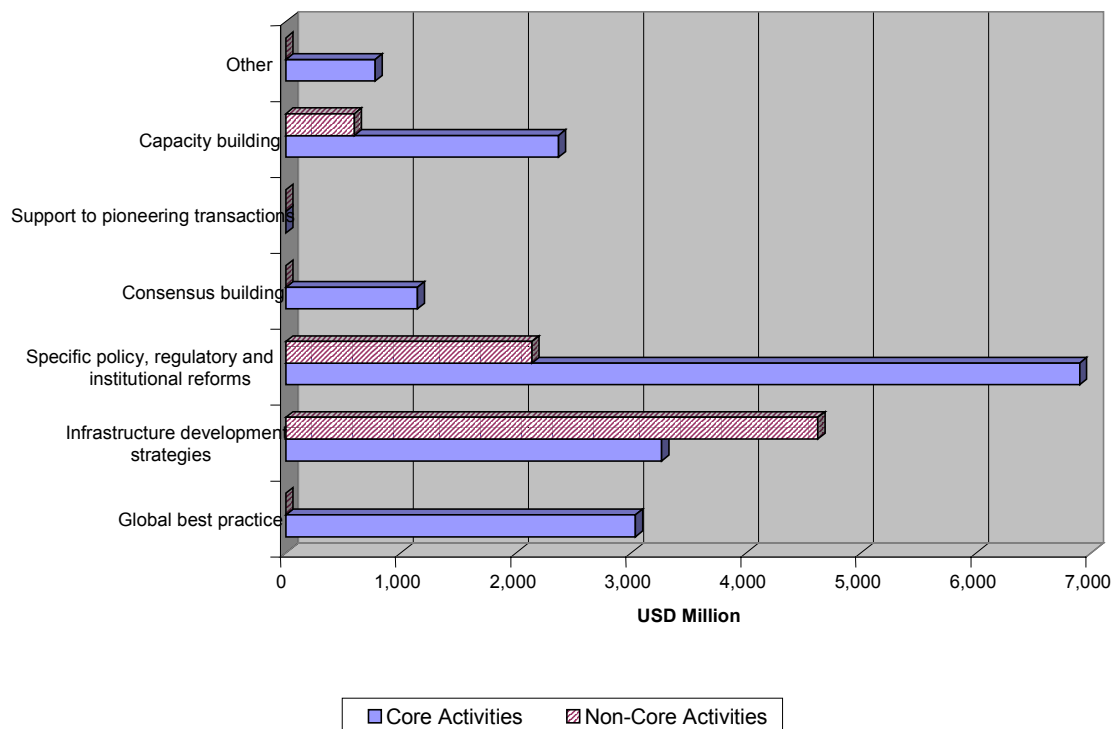


Some 45 percent of PPIAF's activities have covered two or more infrastructure sectors. This seems reasonable at this early stage of PPIAF's operations when country framework reviews and crosscutting awareness and consensus building activities are important. Hopefully, as time progresses, the focus will shift towards single sector activities that provide the depth and details needed for successful implementation of infrastructure privatization strategies. With water and sanitation emerging as an increasingly important but difficult area for private participation, it seems reasonable that this sector has received the greatest amount of funding. Similarly, it makes sense that telecommunications where reforms have proceeded furthest received the smallest amount.

A little more than one-third of the PPIAF funding was devoted to the design and implementation of specific policy, regulatory and institutional reforms. The elaboration of country specific infrastructure development strategies especially the preparation of country framework reviews received the second highest amount of

funding. What is most striking, however, is the fact that no single activity in support of pioneering projects or transactions has been funded. Since most governments require extensive advice and support on legal, financial, technical and environmental issues to bring both green-field projects and privatization transactions to a successful close, the lack of any PPIAF funding for this purpose is puzzling, to say the least.

Figure 4
Types of PPIAF Activities



5.2 A Qualitative Assessment of PPIAF Activities

The PPIAF has a clear focus on poverty. The flagship product so far was the international conference on Infrastructure for Development: Private Solutions and the Poor that it arranged last year together with DFID of the United Kingdom. The twenty papers² presented at the conference provided important new insights into the design of private infrastructure policies to ensure that the services fully benefit the poor.

Many of the PPIAF's regular activities also have a clear poverty focus or include components to reach the poor.

Examples of PPIAF Activities with Special Poverty Focus

- *Bangladesh, India and Nepal--Financing Constraints for Small and Medium-Size Enterprise Investments in South Asia* (USD 236,000): Conducting research on policy and financing approaches to foster private infrastructure investments in South Asia where providers are small and medium-size enterprises; identifying financing, policy and regulatory constraints; and identifying new and innovative approaches.
- *Bolivia – Strategy for Private Involvement in Infrastructure* (USD 350,000): Evaluating the distributional impact of private infrastructure in the past few years; drawing lessons on how to increase the impact on the poor; devising a strategy, contract design, and tariff regulation that would continue to support these efforts; and identifying approaches and opportunities for deepening private involvement in infrastructure.
- *Global – Private Investments in Telecenter Operations--Review of Best Practice* (USD 74,000): Prepared a desktop review of and developed an impact assessment methodology for evaluating the social and economic sustainability of telecenters in low-income communities.
- *Vietnam – Corporate Rural Electrification* (USD 72,000): Advising the government on the design and implementation of a competitive licensing process in rural electrification involving a least-cost one-time capital subsidy to reach the poor.

In most areas, PPIAF support activities that are similar to those undertaken by the multilateral development banks and bilateral donors. However, there are a few types of activities that the donor community have neglected or found difficult to finance. Examples of areas where the PPIAF clearly fills a vacuum are:

- Preparing country framework reports that: (i) describe and assess the current status and performance of key infrastructure sectors; (ii) describe and assess the policy, regulatory, and institutional framework for involving private enterprises in these sectors; (iii) advice policy makers on future reforms and development strategies; and (iv) assist potential private investors in assessing investment opportunities. These reports are based on extensive consultations with a broad range of stakeholders. So far country framework reports have been completed for India, Peru, the Philippines, Uganda, and Vietnam, and funding has been approved for work on: Bangladesh, Cambodia, Cote d'Ivoire, Dominican Republic, Honduras, Mexico, and Senegal.
- Development of toolkits or how-to manuals for undertaking various privatization activities. Presently, three such toolkits are under preparation: ports, roads and highways, and procurement of advisory services for private participation in

infrastructure. These toolkits are targeted at country officials, donors and consultants working in the field.

- Reviewing global experiences and identifying best practices. While some activities like these are undertaken by research institutions and by some bilateral and multilateral donors, the PPIAF has unique access to information and a practical focus which means that these “best practice” exercises promise to be highly relevant to practitioners.
- Furthering regional cooperation and capacity building. One such example is the South Asia Forum for Infrastructure Regulation (SAFIR) that was launched with PPIAF support. The PPIAF is also helping to create an Organization of Caribbean Utility Regulators. Another example of the PPIAF’s regional capacity building efforts is the support for a network of African academics for research on private infrastructure policy and regulation. One of the rather unique activities that PPIAF has supported is a study that, hopefully, will lead to the creation of an Africa Private Infrastructure Finance Facility. This facility is intended to pool donor and private funds for long-term debt financing of infrastructure.

5.3 Cost Effectiveness of PPIAF Activities

Over the first 18 months, the PPIAF’s grants have ranged between USD 28,000 and USD 775,000. Almost half of the activities are what the PPIAF classifies as small and about one-third is large. In value terms, the large activities account for more than two-thirds of the total. This implies that the partner organizations have a direct say in the approval of activities that account for more than two-thirds of the grant financing provided by the PPIAF. The size distribution is summarized in Table 3 below.

Table 3
PPIAF Grants by Size of Activity

Size	Number	Amount	% Of Total Number	% Of Total Amount
Small	55	3,503.2	47.4%	14.1%
Medium-sized	23	4,332.0	19.8%	17.4%
Large	38	17,005.1	32.8%	68.5%
Total	116	24,840.20	100.0%	100.0%

South Asia Forum on Infrastructure Regulation

Industrialized countries have a longer tradition of private ownership and regulation of infrastructure services than most developing countries. Thus, it was natural that the regulatory approaches adopted in the developing world were modeled after those used in the West. While this helped jumpstart the reform process, the regulatory models were not always tailored to the developing countries' legal and political traditions, their level of economic development and the current state of their infrastructure services. Thus, there is a growing consensus that regulators can benefit from the experiences of their colleagues in neighboring countries who face similar constraints.

The South Asia Forum for Infrastructure Regulation (SAFIR) brings together regulators from Bangladesh, Bhutan, India, Nepal, Pakistan, and Sri Lanka. Its objectives are to:

- Build regulatory decision making and response capacity in South Asia;
- Assist in winning acceptance for regulatory authority and approaches among stakeholders;
- Develop sustainable programs to serve regulatory agencies in the long term;
- Consolidate in coordination with other donor agencies the training programs planned for the region to maximize effectiveness; and
- Spur research in regulatory economics.

SAFIR arranges conferences and seminars for its members, as well as basic training courses in regulatory techniques. Its flagship product is an annual Core Course on Infrastructure Regulation and Reform.” SAFIR publishes a newsletter and has created a website for information exchange. SAFIR's initial operations have been supported through two PPIAF grants amounting to US\$640,000.

A review of the objectives of the various activities and the approved grant amounts indicates that the budget amounts generally seem very reasonable. Indeed, the grant amounts are frequently lower than amounts that most multilateral and bilateral donors would budget for similar activities. This might be taken as an indication that most PPIAF activities are conducted in a cost-effective manner.

One concern, however, that has been expressed by some PPIAF stakeholders: The average budget for PPIAF-funded activities is only about USD 200,000. Thus, there is a rather widespread feeling that the PPIAF might be spreading its budget too thinly over too many activities. It is too early to tell if this will result in products—especially the ones dealing with regulatory frameworks and privatization policies—that are too superficial to be of operational value.

In FY2000, the cost for the PMU was USD 1.5 million of which only a minor portion USD 45,000 was for initial costs of the regional coordination offices. In FY01, the central budget is USD 2.8 million, with most of the increase associated with the creation of three field offices and operation of the Technical Advisory Panel which did not become operational until the fall of 2000. Thus, program management in

FY01 is expected to amount to about 12 percent of the PPIAF's total budget. To this should be added a similar amount for supervision of individual tasks. Technical assistance activities, especially of the relatively small size funded by the PPIAF are typically expensive to prepare, appraise, supervise and evaluate. Since the PPIAF's budget also covers donor coordination and liaison with beneficiary governments, the overheads must be regarded as reasonable.

CHAPTER 6

POTENTIAL USAID PARTICIPATION

6.1 Options for Participation

Basically, there are three options available to USAID:

1. Remain outside the PPIAF: USAID has long been a leader among bilateral donors in terms of promoting private-public partnerships in infrastructure development. Even as a non-participant in the PPIAF, USAID and its domestic stakeholders benefit from PPIAF's activities. These benefits include:

- A more transparent and less risky policy environment for US infrastructure investors through country framework reports and most activities resulting in improved regulation;
- Increased opportunities for US consulting firms;³
- PPIAF activities that complement and enhance USAID's policy agenda in key recipient countries;
- Some informal consultations with the PPIAF staff leading to somewhat better donor coordination and potentially better targeting of USAID's own assistance; and
- An improved knowledge base for USAID and US consultants through the PPIAF's dissemination of best practice (through such instruments as toolkits).

If, however, USAID remains outside the PPIAF, there is a risk of it becoming marginalized and having a gradually reduced influence on the global privatization agenda.

2. Become a participating donor through a contribution to the core fund: This would require a minimum annual contribution of USD 250,000. The benefits of this option include:

- Maintaining a leadership in the private infrastructure field;
- Increased effectiveness of USAID's own technical assistance activities by reduced duplications and potential conflicting approaches;
- Better access to studies and reports not available to the general public; and
- Greater ability to influence PPIAF activities so that they support USAID's own programs and policy agendas.

3. Make contributions to both the core and non-core funds: While some bilateral agencies might provide non-core and core funds to the PPIAF because they have a limited capacity on their own to manage technical assistance activities in the private infrastructure field, this does not apply to USAID. There is no reason to assume that PPIAF activities are better prepared, appraised or supervised than similar activities funded directly by USAID. However, there might be some modest benefits associated with better coordination, targeting and, especially, *ex post* evaluation through the Technical Advisory Panel of PPIAF's non-core activities. Although USAID could ensure that non-core funds provided by it would go to activities in priority countries or priority sectors, some foreign policy benefits would clearly be lost if funding for PPIAF was diverted from regular agency operations. In certain cases, however, it might be advantageous to carry out controversial activities through the PPIAF umbrella.

In short, there appears to be a rather compelling case for USAID's participation in the PPIAF. However, the case for a large contribution to the core fund or the non-core funds is less clear. It might be most prudent to start with a modest contribution to the core fund and decide on an eventual funding increase for either core or non-core funds after a year or two when the value of US participation can be better assessed.

6.2 Internal USAID Issues

At an early stage, USAID needs to decide on who would be the primary contact person in the agency and who would be the representative on the Program Council. In order to take full advantage of the participation in the PPIAF and to maximize USAID's contribution to PPIAF's program, it would be essential to establish internal procedures for information sharing and consultation. Various units within the Bureau for Global Programs as well as the four regional bureaus should be recipients of the various types of information provided to the participating donors by PPIAF. It is especially important from an aid coordination point of view that the concerned country desk has an opportunity to comment on or provide an objection to any proposed PPIAF activity.

However, it is worth noting that close to a hundred PPIAF grants will be processed each year and that the participating donors normally have only ten days to provide their eventual comments or objections. Thus, the emphasis should be on making sure that "the right person" receives the material in a speedy manner. Formal meetings should, at the most, be held once a year prior to the annual meeting of the Program Council.

6.3 Potential Issues to Be Raised with PPIAF

Besides questions/issues related to PPIAF country strategies and their relationship with USAID's programs, there are a couple of issues that the US representative at the Program Council might pursue:

- USAID should routinely receive copies of all reports produced with the PPIAF financing.
- This could be take a step further: USAID should encourage the PPIAF to make all reports available to the general public through its website.
- The PPIAF is a unique position to evaluate specific country experiences such as the BOT Center in the Philippines and disseminate best practices. While such activities are part of the PPIAF's work program, it would probably be worthwhile to do even more in this area.
- Bilateral donors are typically in a difficult position because of a potential conflict of interest when it comes to providing support for specific transactions. Developing countries often are reluctant to provide the extensive budgetary support needed for privatization transactions. Thus, there is a clear role for an organization like the PPIAF in this area.

ENDNOTES

¹ Public-Private Infrastructure Facility, Program Charter, as amended up to July 2000. (See PPIAF's web site at <http://www.ppiaf.org/charterjulyweb.pdf>.)

² See the conference documentation at PPIAF's web site (<http://www.ppiaf.org/conference/newindex.htm>).

³ PPIAF does not have any restrictions on the nationality of the consulting firms employed for its technical assistance activities. (In principle, donors contributing non-core funds can impose nationality requirements. However, so far none of the non-core contributors has done so.) US based consulting firms and/or their overseas affiliates have received a major share of the contracts awarded by PPIAF.

ANNEXES

ANNEX A

COUNTRIES AND TERRITORIES ELIGIBLE FOR PPIAF SUPPORT

Developing Countries and Territories				Countries and Territories in Transition
Least Developed Countries	Other Low Income Countries (Per capita GNP less than \$765 in 1995)	Lower Middle Income Countries and Territories (Per capita GNP from \$766 to \$3,035 in 1995)	Upper Middle Income Countries and Territories (per capita GNP from \$3,036 to \$9,385 in 1995)	Central and Eastern European Countries and New Independent States of the former Soviet Union
Afghanistan Angola Bangladesh Benin Bhutan Burkina Faso Burundi Cambodia Cape Verde Central African Republic Chad Comoros Congo, Dem. Rep. Djibouti Equatorial Guinea Eritrea Ethiopia Gambia Guinea Guinea-Bissau Haiti Kiribati Laos Lesotho Liberia Madagascar Malawi Maldives Mali Mauritania Mozambique Myanmar Nepal Niger	* Albania * Armenia * Azerbaijan Bosnia and Herzegovina Cameroon China Congo, Rep. Cote d'Ivoire * Georgia Ghana Guyana Honduras India Kenya * Kyrgyz Rep. Mongolia Nicaragua Nigeria Pakistan Senegal Sri Lanka * Tajikistan Viet Nam Zimbabwe	Algeria Belize Bolivia Botswana Colombia Costa Rica Cuba Dominica Dominican Republic \$ East Timor Ecuador Egypt El Salvador Fiji Grenada Guatemala Indonesia Iran Iraq Jamaica Jordan * Kazakstan Korea, Dem. Rep. Lebanon Macedonia FYR Marshall Islands Micronesia, Federated States * Moldova Morocco Namibia Niue Palau Islands Palestinian Administered Areas Panama	\$ Anguilla Antigua and Barbuda Argentina Bahrain Barbados Brazil Chile Cook Islands Croatia Gabon Libya 1. Malaysia Malta Mauritius \$ Mayotte Mexico \$ Montserrat Nauru Oman Saudi Arabia Seychelles Slovenia South Africa \$ St. Helena St Kitts and Nevis St Lucia Trinidad and Tobago \$ Turks and Caicos Islands Uruguay	Belarus * Bulgaria * Czech Republic * Estonia * Hungary * Latvia * Lithuania * Poland * Romania * Russia * Slovak Republic * Ukraine

Developing Countries and Territories				Countries and Territories in Transition
Least Developed Countries	Other Low Income Countries (Per capita GNP less than \$765 in 1995)	Lower Middle Income Countries and Territories (Per capita GNP from \$766 to \$3,035 in 1995)	Upper Middle Income Countries and Territories (per capita GNP from \$3,036 to \$9,385 in 1995)	Central and Eastern European Countries and New Independent States of the former Soviet Union
Rwanda Samoa Sao Tome and Principe Sierra Leone Solomon Islands Somalia Sudan Tanzania Togo Tuvalu Uganda Vanuatu Yemen Zambia		Paraguay Peru Philippine St Vincent and Grenadines Suriname Swaziland Syria Thailand § Tokelau Tonga Tunisia Turkey * Turkmenistan * Uzbekistan Venezuela § Wallis and Futuna Yugoslavia, Federal Rep.	§ A	* U

* Central and Eastern European countries and New Independent States of the former Soviet Union (CEECs/NIS)

§ Territory

1. These countries and territories transferred to Part II on 1 January 2000.

ANNEX B

STATISTICS ON ACTIVITIES SUPPORTED

PPIAF Grants Approved from July 1, 1999 to December 31, 2000

	Total		Core		Non-Core	
	No	US\$ '000	No	US\$ '000	No	US\$ '000
Geographic Focus						
Global	17	2,902.5	17	2,902.5	0	0.0
Sub-Saharan Africa	24	6,037.2	24	2,867.6	10	3,196.6
East Asia & Pacific	17	3,926.0	12	2,967.4	5	949.0
Latin America & Caribbean	20	4,039.3	19	3,639.3	1	400.0
South Asia	19	3,891.0	11	2,091.0	8	1,800.0
Europe & Central Asia	13	3,137.4	10	2,102.4	3	1,035.0
Middle East & North Africa	6	906.8	6	906.8	0	0.0
Total	116	24,840.2	89	17,486.0	27	7,354.2
Sectoral Focus						
Multi-sector	50	11,219.8	44	9,229.8	6	1,990.0
Water & sanitation	25	5,387.2	16	3,002.0	9	2,385.2
Energy	16	4,097.4	11	2,770.4	5	1,327.0
Transport	11	2,250.6	7	1,040.6	4	1,210.0
Telecommunications	14	1,885.2	11	1,443.2	3	442.0
Total	116	24,840.2	89	17,486.0	27	7,354.2
Activity Area						
Global best practice	17	3,035.6	17	3,035.6	0	0.0
Infrastructure development strategies	32	7,886.0	18	3,263.8	14	4,622.2
Specific policy, regulatory & institutional reforms	40	9,037.4	29	6,900.4	11	2,137.0
Consensus building	11	1,143.0	11	1,143.0	0	0.0
Support to pioneering transactions	0	0.0	0	0.0	0	0.0
Capacity building	15	2,963.2	13	2,386.2	2	595.0
Other	1	775.0	1	775.0	0	0.0
Total	116	24,840.2	89	17,486.0	27	7,354.2

ANNEX C
APPLICATION FORM

APPLICATION FOR PPIAF SUPPORT

A. PERSON REQUESTING FUNDING FROM PPIAF

Name:	Position:	
Organization:		
Address:		
Telephone:	Fax:	E-mail:

B. PROPOSAL SUMMARY

1. Geographic Focus of Proposed Activity: *Tick box which applies*

<input type="checkbox"/>	Individual Country <i>(please specify)</i> :
<input type="checkbox"/>	Regional or Multi-Country <i>(please specify)</i> :
<input type="checkbox"/>	Global

2. Sectoral Focus of Proposed Activity: *Tick all that apply*

<input type="checkbox"/>	Electricity	<input type="checkbox"/>	Solid waste	<input type="checkbox"/>	Ports
<input type="checkbox"/>	Gas transmission & distribution	<input type="checkbox"/>	Telecommunications	<input type="checkbox"/>	Airports
<input type="checkbox"/>	Water and sewerage	<input type="checkbox"/>	Railways	<input type="checkbox"/>	Roads
		<input type="checkbox"/>	Multi-Sector <i>(i.e., for infrastructure in general)</i> :		

3. Primary Type of Deliverable: *(e.g., study/report, training, seminar, etc.)*

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4. Nature of Proposed Activity: *Tick one box to specify the primary nature of the proposed activity (P) and where applicable, tick one or more boxes which reflect secondary natures (S).*

Primary (P) one only	Secondary (S) one or more	
<input type="checkbox"/>	<input type="checkbox"/>	Infrastructure Development Strategies: Studies intended to guide governments on options for expanding private sector involvement in infrastructure. Includes national, sub-national and sectoral studies within a country.
<input type="checkbox"/>	<input type="checkbox"/>	Consensus Building: Activities aimed at building consensus among stakeholders for appropriate policy, regulatory and institutional reforms.
<input type="checkbox"/>	<input type="checkbox"/>	Policy, Regulatory and Institutional Reforms: Advice on the design and implementation specific reforms, including studies and drafting of instruments.
<input type="checkbox"/>	<input type="checkbox"/>	Pioneering Transactions: support to the design and implementation of particular projects or transactions that are pioneering in some important respect, reflect some measure of innovation, and offer potential demonstration effects.
<input type="checkbox"/>	<input type="checkbox"/>	Capacity Building: Activities aimed at building government capacity in the design and execution of private infrastructure arrangements and in the regulation of private service providers.
<input type="checkbox"/>	<input type="checkbox"/>	Global Best Practices: Activities focusing on the identification, promotion and dissemination of best practice to the international community in general, rather than to a specific country, on matters relating to private sector involvement in infrastructure in developing countries.

C. PROPOSAL DETAILS

5. Summary of Proposed Activity: *Describe briefly the specific activity for which PPIAF funding is being requested. Supporting documentation (e.g., draft terms of reference, concept note) should be attached and listed at Question 19.*

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6. Activity Objectives and Impact Assessment: *Summarize the specific objectives of the proposed activity and the key indicators against which the success of the activity might be judged. Where relevant, indicate whether the indicator is short-term or longer-term.*

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7. Consistency with PPIAF Mission: *Describe briefly how this specific activity would contribute to PPIAF's overarching objective of helping to eliminate poverty and achieve sustainable development.*

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8. Rationale for PPIAF Funding: *Indicate whether funding for the activity is available or being sought from some other source (including loans from international financial institutions, grants from other programs, or a government's own resources) and, if so, the rationale for requesting funding from PPIAF.*

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9. Coordination Issues: *Describe how the proposed activity is related to recently completed, ongoing or proposed activities funded by international financial institutions or official donors, and list these activities and their sponsoring agency.*

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10. Time-Sensitivity of Request: *Indicate whether the proposal has a degree of urgency or time-sensitivity and, if so, provide a brief explanation and indicate critical dates.*

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11. Government Approval of Country-Specific Activities: *PPIAF may fund country-specific activities* only when the activity has been approved by a responsible government authority. Indicate the name and other details for the approving authority, attach a copy of the approval letter, and list this item at Question 19.*

Name of responsible official:		
Position:		
Ministry/Agency:		Country:
Tel.:	Fax:	E-mail:

12. Quality Assurance Mechanisms: *Describe the measures that will be put in place to ensure the activity is subject to independent quality review (e.g., external peer review or advisory groups).*

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13. Pioneering Transactions: Describe the measures for a particular project or transaction, explain how the project or transaction is innovative and offers potential demonstration effects.

14. Environmental and Social Responsibility: If a particular project or transaction that would be supported by PPIAF is expected to have any adverse environmental or social consequences, describe the measures that have been or will be taken to ensure an objective and transparent assessment of those consequences.

D. IMPLEMENTATION AND FINANCING PLAN

15. Implementation Approach: Provide a brief description of each of the following elements of the implementation approach: (a) the implementing entity (e.g., consultants, government officials, etc.); (b) for country-specific activities, key counterpart institutions; (c) measures to involve key stakeholders; and (d) how the output of the activity is proposed to be disseminated, including its target audience.

16. Implementation Schedule: Indicate the beginning and end date, as well as major activity milestones. If a multi-phase approach is proposed, include indicative timings for all major activity phases.

17. Financing Plan: A detailed budget for the activity **must** be attached and listed under Question 19. In the table below, present a summary of the financing plan by the major components (the detailed budget should provide further breakdown by these components). If co-financing is not yet approved, indicate the status of the request and any relevant timing (it is particularly important to indicate any estimates of government cash or in-kind contributions).

Major Components	PPIAF Request (US\$)	Co-financing		Total Cost (US\$)
		US\$	Source (e.g., gov't cash or in-kind contributions; donor funds)	
Consulting Services (Fees, travel, per diem)				
Task Team Supervision Cost (Fees, travel, per diem)				
Dissemination Costs (Translation, editing, publication, etc.)				
Logistics (Workshops, conference facilities, etc.)				
Other				
Total Financing/Costs				

E. SUPPLEMENTARY INFORMATION AND MATERIALS

18. Additional Information: Include any additional information that may be useful in evaluating the proposal (e.g., related activities which may have been undertaken; planned follow-on activities; etc.)

19. Supporting Material: *List all supporting material including, where appropriate, government approval letters, terms of reference, and detailed budget. To the extent possible, please attach these materials as electronic files if submitting application by electronic mail. Where material has been sent to PPIAF separately from this application, indicate the date and form (e.g., fax, courier, etc.) of transmission to PPIAF.*

Supporting Material	Date and Form of Transmission to PPIAF